

Exhibit

I

IN THE DISTRICT COURT IN AND FOR OSAGE COUNTY
STATE OF OKLAHOMA

BOKF, N.A. D/B/A BANK OF OKLAHOMA,
SUCCESSOR BY MERGER TO BANK OF
OKLAHOMA, N.A.,

Plaintiff,

vs.

STEPHEN NICHOLAS LYNCH a/k/a NICK
LYNCH and GWENNA KAY LYNCH a/k/a
GWENNA LYNCH a/k/a GWENNA KAY
MORRISON a/k/a GWENNA KAY
MORRISON LYNCH, Husband and Wife;
Et. al.

Defendants,

District Court, Osage County, Okla.
FILED

APR. 4 2013

ANGIE BRUCE, Court Clerk
By MS Deputy

Case No. CJ-2012-37
Judge Gambill

KLEINCO RESIDENTIAL CONSTRUCTION, LLC'S
APPLICATION TO DISBURSE FUNDS

Kleinco Residential Construction, LLC ("KRC") moves the Court to disburse funds to KRC in the amount of \$57,927.39. In support, KRC would show the Court as follows:

1. On December 7, 2012, the United States Bankruptcy Court for the Northern District of Oklahoma granted a nondischargable judgment in favor of KRC and against Defendants, Stephen Nicholas Lynch and Gwenna Kay Lynch, jointly and severally (collectively "Lynch") in the principal sum of \$1,078,064.33 ("Bankruptcy Judgment").

2. On December 21, 2012, KRC filed an Amended Statement of Judgment in Osage County at Book 1506, Pages 351-358 for the Bankruptcy Judgment which created a judgment lien against all real property owned by Lynch in Osage County pursuant to Title 12 O.S. §706 ("Bankruptcy Judgment Lien"). See Exhibit "A".

3. Further, on February 25, 2013, KRC domesticated the Bankruptcy Judgment in this case. The Court docket and records are incorporated herein as if set out in full.

4. On February 26, 2013, the Lynchs' real estate located at 12925 N. 68th West Avenue, Skiatook, Oklahoma 74070 more fully described as follows:

A Tract of Land in the Southwest Quarter (SW/4) of Section Thirty-One (31), Township Twenty-Two (22) North, Range Twelve (12) East of the I.B. & M., Osage County, State of Oklahoma, and more particularly described as beginning 880 feet West of the center of the above described Section Thirty-One (31), thence 880 feet West; thence 1980 feet South; thence East 882.9 feet; thence North 1980 feet to the point of Beginning (the "Property"). A true and correct copy of the Consent Journal Entry of Judgment and Decree of Foreclosure is attached hereto as Exhibit "1".

was sold for \$346,840.00 by the Sheriff of Osage County under special execution and order of sale issued by the Plaintiff, BOKF, N.A. out of the office of the Court Clerk of Osage County, Oklahoma.

5. The Court has distributed the proceeds of the Sheriff's Sale to the payment of the expenses of the sale, payment of the claim of the Plaintiff, BOKF, N.A. d/b/a Bank of Oklahoma, payment to the Osage County Treasurer all of the outstanding ad valorem taxes, costs and interest due at the time of the sale, and payment of a constructive trust judgment in favor of KRC leaving a balance of \$71,009.02.

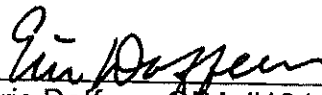
6. Defendant, Gary Strahan, Personal Representative of the Estate of Tom Drummond, has filed an Application for Partial Disbursement of Sheriff's Sale Funds for payment toward a previous judgment lien in the amount of \$13,081.63 which is prior to KRC's Bankruptcy Judgment, which would leave a balance of \$57,927.39 on deposit with the Osage Court Clerk.

7. Defendant, KRC requests that upon payment of the Drummond Judgment Lien, the balance in the amount of \$57,927.39, should be distributed to KRC to be applied to KRC's Bankruptcy Judgment Lien.

Wherefore, Defendant, KRC respectfully requests that Court disburse the sum of \$57,927.39 to KRC to be applied towards the KRC Bankruptcy Judgment Lien.

Respectfully submitted,

By:


Eric Daffern, OBA #13419
DAFFERN LAW FIRM, PLLC
Southbridge Office Park
1719 E. 71st Street
Tulsa, OK 74136
(918) 746-7640
(918) 477-2213
ATTORNEYS FOR KLEINCO
RESIDENTIAL CONSTRUCTION, LLC

And

Robert B. Sartin, OBA #12848
BARROW & GRIMM, P.C.
110 W. Seventh Street, Suite 900
Tulsa, OK 74119-1044
(918) 584-1600
(918) 585-2444
ATTORNEYS FOR KLEINCO
RESIDENTIAL CONSTRUCTION, LLC

CERTIFICATE OF SERVICE

I hereby certify that on this 2 day of April, 2013, I mailed a true and correct copy of the above and foregoing document to the following:

Scott F. Lehman
LATHAM, WAGNER, STEELE,
& LEHMAN, P.C.
1800 S. Baltimore, Suite 500
Tulsa, OK 74119

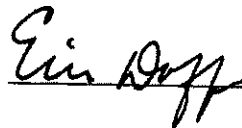
Stephen Nicholas Lynch &
Gwenna Kay Lynch, Individually
And as Trustees of the Lynch Family
Revocable Trust
12925 N. 68th W. Ave.
Skiatook, OK 74070

Gentner F. Drummond
Drummond Law Firm, PLLC
1500 S. Utica, Suite 400
Tulsa, OK 74104

William G. Gowing
2413 E. Oakland St.
Broken Arrow, OK 74104

R. Tom Hillis
Assistant District Attorney
P.O. Box 147
Pawhuska, OK 74056

David R. Keesling
Heidi L. Shadid
7447 South Lewis Avenue
Tulsa, OK 74136

_____

STATE OF OKLAHOMA
AMENDED STATEMENT OF JUDGMENT

STATE OF OKLAHOMA)
) SS:
 COUNTY OF TULSA)

I-2012-009272 12/21/2012 10:02 am
 Book 1506 Page(s) 0351-0358
 Fee: \$ 27.00 Doc: \$ 0.00
 Denny Hutson - Osage County Clerk
 State of Oklahoma

Robert B. Sartin, of lawful age, first being duly sworn, states:

1. On the 3rd day of December, 2012, judgment was rendered in case number 11-12457-M in the United States Bankruptcy Court for the Northern District of Oklahoma, styled *In re Lynch, Stephen Nicolas and Lynch, Gwenna Kay*, as follows:

AGAINST
JUDGMENT DEBTORS

Stephen Nicolas Lynch
 Gwenna Kay Lynch

IN FAVOR OF
JUDGMENT CREDITOR

Kleinco Residential
 Construction, LLC

AMOUNT: JUDGMENT
COSTS & ATTORNEY FEES

Principal sum of
 \$1,078,064.33 plus interest
 from December 3, 2012 at the
 Statutory judgment rate until
 the Judgment is paid.

2. Judgment was filed with the Court Clerk of the United States Bankruptcy Court for the Northern District of Oklahoma on the 3rd day of December, 2012.

3. The County Clerk shall enter on the judgment index a statement based on this information in compliance with 12 O.S. 2001, § 706.

4. The name and address of the judgment creditor is:

Kleinco Residential Construction, LLC
 c/o Robert B. Sartin
 Barrow & Grimm, P.C.
 110 W. 7th St., Suite 900
 Tulsa, OK 74119-1044



Further, your affiant sayeth not.

NAME:
 TITLE:

ORGANIZATION:
 ADDRESS:

Robert B. Sartin
 Attorney for Kleinco
 Residential Construction, LLC
 Barrow & Grimm, P.C.
 110 W. 7th St., Suite 900
 Tulsa, OK 74119-1044

Robert B. Sartin

BK 1506 PG 0351

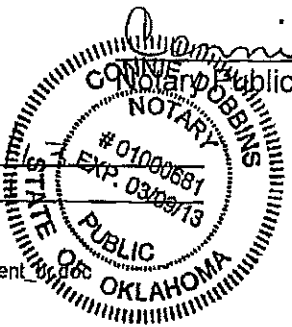
009272

"A"

Signed and sworn to before me on the 20~~th~~ day of December, 2012, by Robert B. Sartin.

My Commission Expires: 3/9/13
Commission No. 0100068

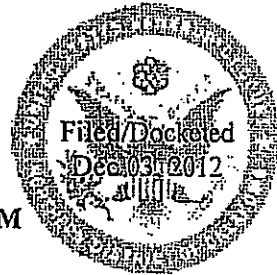
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12/19/2012 t



BK1506PG0352

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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OKLAHOMA



IN RE:

LYNCH, STEPHEN NICOLAS and
LYNCH, GWENNA KAY,

Debtors.

KLEINCO RESIDENTIAL
CONSTRUCTION, LLC,

Plaintiff

v.

STEPHEN NICOLAS LYNCH and
GWENNA KAY LYNCH,

Defendants.

Case No. 11-12457-M
(Chapter 7)

Adv. No. 12-01003-M

BK 1506 PB0354

AGREED JUDGMENT

On this 3rd day of December, 2012, the above-referenced adversary proceeding (the "Adversary Proceeding") filed by Plaintiff Kleinco Residential Construction, LLC (the "Plaintiff" or "Kleinco") comes on for consideration before the undersigned Judge. Upon reviewing the case file herein and finding that the parties and their counsel have agreed to the entry of this Agreed Judgment, the Court finds as follows:

1. This matter is a "core" proceeding under 28 U.S.C. § 157(b)(2)(I) as an action brought in accordance with the provision of 11 U.S.C. § 523 relating to the determination of the dischargability of particular debts.
2. This Court has jurisdiction over the parties and subject matter hereto under 28 U.S.C. § 1334.
3. Venue is proper under 28 U.S.C. § 1409.

4. On March 14, 2006, Kleinco filed its Articles of Organization with the Oklahoma Secretary of State and became an active Oklahoma limited liability company on the same day.

5. Pursuant to Kleinco's Operating Agreement dated March 14, 2006, Gwenna Lynch owned a 49% member's interest in Kleinco and served as a manager and employee of Kleinco.

6. During her employment, Gwenna Lynch caused both Kleinco and vendors of Kleinco (which were paid by Kleinco at the direction of Gwenna Lynch) to perform certain construction services on Debtors' personal residence on an open account basis in the sum of \$157,811.16. Debtors received benefits from such services in said amount which amount remains unpaid and outstanding.

7. During the term of her employment, Gwenna Lynch, individually and in concert with her husband Nicolas Lynch, wrongfully converted funds of Kleinco through various tortious and unlawful acts, including, *inter alia*, forging Kleinco checks, submitting requests for reimbursement for services that were not performed, directing vendors to submit invoices to Kleinco for expenses incurred by Defendants' or Defendants' family members, and falsifying the books and records of Kleinco through inaccurate accounting entries, improper change orders, and other methods.

8. During the Summer of 2008, audits of Kleinco's books and records revealed the Defendants' embezzlement and misappropriation of Kleinco funds.

9. Upon discovery of Defendants' improper actions, Gwenna Lynch's employment with Kleinco was terminated for cause, she was removed as a manager of Kleinco and her interest in Kleinco was terminated in accordance with the Operating Agreement.

BK 1506PG0355

10. To this date, Defendants have not repaid any portion of the open account balance to Kleinco for the construction on Defendants' residence, nor have they made any restitution to Kleinco for the misappropriated funds.

11. The Defendants have knowingly and willfully converted valuable property of Kleinco for their own use and benefit at Kleinco's expense.

12. As a manager of Kleinco, Gwenna Lynch owed a fiduciary duty to Kleinco and its members. Gwenna Lynch breached her fiduciary duty to Kleinco and its members by willfully and knowingly committing tortious and unlawful acts and engaging in improper, systematic, concerted and deliberate efforts to misappropriate funds of Kleinco for the benefit of herself and Nicholas Lynch.

13. During the term of her employment, Gwenna Lynch made false and misleading representations of material fact to Kleinco and its members regarding numerous transactions, as described herein, knowing such statements were false, misleading or made recklessly and intentionally for the purpose of inducing Kleinco to provide services and/or make payments for her benefit and the benefit of Nicholas Lynch.

14. Kleinco relied upon the false representations made by Gwenna Lynch to its detriment.

15. Prior to the termination of Gwenna Lynch's employment with Kleinco, Defendants devised and implemented an improper, systematic, concerted and deliberate scheme to misappropriate funds from Kleinco and to engage in the other and unlawful acts set forth herein.

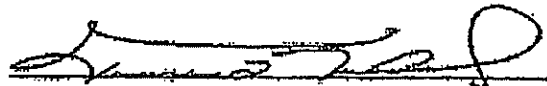
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IT IS THEREFORE ORDERED THAT judgment is entered in favor of Kleinco Residential Construction, LLC, against Defendants Stephen Nicholas Lynch and Gwenna Kay Lynch, jointly and severally, for the amount of \$1,078,064.33 and that this judgment shall be nondischargable by the Defendants pursuant 11 U.S.C. §§ 523(a)(2)(A) and (a)(4).

Dated this 3rd day of December, 2012.

BY THE COURT:



TERRENCE L. MICHAEL, CHIEF JUDGE
UNITED STATES BANKRUPTCY COURT

AGREED AS TO FORM AND CONTENT:

HALL, ESTILL, HARDWICK, GABLE,
GOLDEN & NELSON, P.C.

s/ Steven W. Soule

Steven W. Soule, OBA #13781
Conor P. Cleary, OBA #30046
320 South Boston Avenue, Suite 200
Tulsa, Oklahoma 74103-3706
Telephone (918) 594-0466
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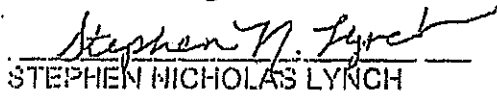
-and-

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Facsimile (918) 585-2444
ATTORNEYS FOR THE PLAINTIFF

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CAVENNA KAY LYNCH


STEPHEN NICHOLAS LYNCH

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